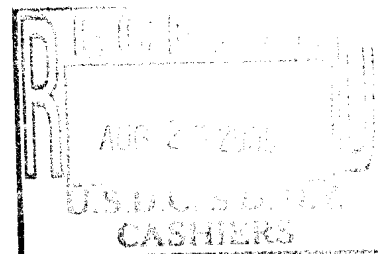


08 CV 7479

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK



CAROLYN C. BLOUNT, Individually and On
Behalf of All Others Similarly Situated,

Plaintiff,

vs.

MF GLOBAL LTD., KEVIN R. DAVIS and J.
RANDY MACDONALD,

Defendants.

)
)
) Civil Action No.
)
) CLASS ACTION
)
) COMPLAINT FOR VIOLATION OF
) THE FEDERAL SECURITIES
) LAWS
)
) DEMAND FOR JURY TRIAL

INTRODUCTION

1. This is a securities class action on behalf of all persons and entities who purchased or otherwise acquired the common stock of MF Global Ltd. (“MF Global” or the “Company”) between March 17, 2008 and June 20, 2008 (the “Class Period”), against MF Global and certain of its officers and/or directors for violations of the Securities Exchange Act of 1934 (“1934 Act”).

2. MF Global is a broker of exchange-listed futures and options. The Company provides execution and clearing services for exchange-traded and over-the-counter (“OTC”) derivative products, as well as for non-derivative foreign exchange products and securities in the cash market. It provides its clients with access to many of the financial markets worldwide.

3. During the Class Period, defendants issued materially false and misleading statements regarding the Company’s capital and financial results and concealed the material deterioration in the Company’s business and the insufficiency of its capital, which would necessitate additional offerings of securities and dilution of the ownership interest of MF Global investors. As a result of defendants’ false statements, MF Global stock traded at artificially inflated prices during the Class Period, reaching a high of \$14.98 per share in May 2008.

4. On June 17, 2008, MF Global issued a press release entitled “MF Global to Offer \$150 million of Convertible Preference Shares and \$150 Million of Convertible

Senior Notes; Company Provides Expectations for Key Financial Metrics for Fiscal First Quarter 2009,”¹ which stated in part:

MF Global Ltd., a leading broker of exchange-listed futures and options, today announced that it intends to offer approximately \$150 million of non-cumulative perpetual convertible preference shares (plus up to an additional 20 percent under an option to be granted to the initial purchasers) and \$150 million of convertible senior notes (plus up to an additional 20 percent under an option to be granted to the initial purchasers), in two private offerings. The proceeds of the offerings together with other components of the company’s capital plan will be used to repay its outstanding bridge loan due in December 2008.

* * *

The offerings are expected to price this week. The convertible preference shares and convertible senior notes will not be registered under the Securities Act of 1933 and may not be offered or sold in the United States without an available exemption from registration.

The offerings follow the company’s previous announcement that it received a \$300 million backstop commitment from an affiliate of J.C. Flowers & Co. LLC to purchase a separate series of convertible preference shares. Under the terms of the backstop commitment, J.C. Flowers will purchase up to \$300 million of a separate series of convertible preference shares, reduced by the amount sold in the private offering of convertible preference shares, but not less than a minimum amount of \$150 million.

Fiscal First Quarter 2009 Update

MF Global is also providing an update on its current fiscal first quarter 2009.

- Estimated net revenue is expected to range from approximately \$360 to \$390 million for the fiscal first quarter 2009. The company also estimates the narrowing of short term credit spreads has had a negative impact on net interest income and overall pre-tax margins in the first quarter. For liquidity purposes, the company strategically positioned its client assets in short-term overnight securities in the fiscal fourth quarter of 2008. The company believes that rising interest rates and or a steepening of the zero to two year yield curve creates opportunities to enhance its interest income over the fiscal second, third and fourth quarters of 2009
- Estimated total volume is expected to range from 530 to 580 million lots for the first quarter.
- Client assets at the end of May were approximately \$15.4 billion.

¹ MF Global’s fiscal year ends on March 31.

- The Company also now expects increased non-compensation costs in the current quarter as a result of ongoing changes to its business information, risk management and monitoring systems and corresponding increases in professional fees. The company expects some of these costs to only impact its current quarter while other of these costs will be permanent in nature and will be reflected in the Company's results. The company is not yet in a position to fully quantify the amount of these costs for the current quarter or for future periods.
- In addition, the company expects one-time termination costs of \$6 to \$8 million in pre-tax income in the first quarter from a strategic realignment of staff around the globe. However, the company expects cost savings from these efforts to be realized over the latter part of this fiscal year and the early part of fiscal 2010.

5. These expected revenues were well below the levels MF Global's management had led the market to expect just weeks earlier.

6. As a result of this news entering the market, MF Global's stock dropped to close at \$7.83 per share on June 18, 2008, a decline of 43% from June 17, 2008 on volume of 5 million shares.

7. On June 19, 2008, the *Wall Street Journal* published an article entitled "MF Global Tries to Temper Selloff," which stated in part:

After seeing its shares sink Wednesday in response to its warning that fiscal first-quarter revenue will come in below expectations, MF Global Ltd. tried to reassure investors Thursday by saying a decline in interest income the company has faced is "short term in nature."

But it doesn't appear to be working, with shares of the nation's biggest futures and options broker falling another 9% to \$7.13.

MF Global had said late Tuesday that interest income would be hurt by narrowing short-term credit spreads, the first time it had disclosed such an issue. The company in a brief statement Thursday offered a bit more perspective, blaming the declines on client cash largely being in overnight government and agency securities. MF Global expects interest income to return to "more normal levels" amid "the already higher rates" seen on U. S. Treasuries.

MF Global also said Thursday its volumes and related transactional business continue to fare "very well," benefiting from "the exceptional volatility in the markets in which we operate."

Tuesday's announcement, which also included plans to sell another \$300 million in convertible stock and bonds to repay a bridge loan due in December,

left analysts and investors yearning for more information and what it might mean going forward.

Lehman Brothers analyst Roger Freeman Wednesday wrote that his firm “would not be surprised to see the shares remain range bound until the company can provide more clarity” to investors.

But other questions remain, with those raised by Deutsche Bank analyst Rob Rutschow Wednesday including the size of the market-share loss and where it occurred – high-commission or low-commission areas.

Tuesday’s news came after a bruising several months for MF Global. Last week, the company was implicated by the Commodity Futures Trading Commission in a probe alleging one of the company’s brokers colluded with a trader at the Bank of Montreal to set natural-gas prices. The company also faced speculation earlier this year about its liquidity position and the desertion of clients.

Meanwhile, MF Global has also been trying to recover from a scandal involving a rogue trader in February that forced it to book a \$141.5 million pretax loss in its fiscal fourth quarter.

8. On the morning of June 20, 2008, MF Global priced the \$300 million offering. The pricing was such that the senior notes would carry an annual interest rate of 9%, while the preference shares would carry an annual dividend of 9.75%

9. On this news, MF Global’s stock dropped to \$6.86 per share on June 20, 2008, on volume of 27 million shares, a decline of 55% from the Class Period high of \$14.98 per share in May 2008.

10. The true facts, which were known by the defendants but concealed from the investing public during the Class Period, were as follows:

(a) MF Global’s business was materially weaker than represented and the Company would not be able to achieve the 15%-20% revenue growth projected for fiscal 2009; and

(b) MF Global’s capital would not be sufficient absent additional infusions which would dilute the ownership of current shareholders.

11. As a result of defendants' false and misleading statements and omissions, MF Global's stock traded at inflated levels during the Class Period. After the above revelations seeped into the market, the Company's shares were hammered by massive sales, sending them down more than 55% from their price before these disclosures.

JURISDICTION AND VENUE

12. Jurisdiction is conferred by § 27 of the 1934 Act. The claims asserted herein arise under §§ 10(b) and 20(a) of the 1934 Act and SEC Rule 10b-5.

13. Venue is proper here pursuant to § 27 of the 1934 Act. Many of the false and misleading statements were made in or issued from this District. MF Global has a substantial presence in New York. Many of the acts and transactions giving rise to the violations of law complained of occurred here.

14. In connection with the acts alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

THE PARTIES

15. Plaintiff Carolyn C. Blount purchased MF Global common stock as described in the attached certification and was damaged thereby.

16. Defendant MF Global is a Bermuda corporation headquartered in Hamilton, Bermuda. MF Global operates offices around the globe and in New York.

17. Defendant Kevin R. Davis ("Davis") is, and at relevant times was, Chief Executive Officer ("CEO") and a director of MF Global.

18. Defendant J. Randy MacDonald (“MacDonald”) is, and at all relevant times was, Chief Financial Officer (“CFO”) of MF Global.

19. Defendants Davis and MacDonald (the “Individual Defendants”), because of their positions with the Company, possessed the power and authority to control the contents of MF Global’s quarterly reports, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, i.e., the market. They were provided with copies of the Company’s reports and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions with the Company and their access to material non-public information available to them but not the public, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations being made were then materially false and misleading. The Individual Defendants are liable for the false statements pleaded herein.

FRAUDULENT SCHEME AND COURSE OF BUSINESS

20. Defendants are liable for: (i) making false statements; or (ii) failing to disclose adverse facts known to them about MF Global. Defendants’ fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of MF Global common stock was a success, as it: (i) deceived the investing public regarding MF Global’s capital and financial results; (ii) artificially inflated the price of MF Global common stock; and (iii) caused plaintiff and other members of the Class to purchase MF Global common stock at inflated prices.

**DEFENDANTS' FALSE AND MISLEADING
STATEMENTS ISSUED DURING THE CLASS PERIOD**

21. On March 17, 2008, the beginning of the Class Period, MF Global issued a press release entitled "MF Global Provides Business Update – Reiterates Strong Quarter-to-Date Performance," which stated in part:

MF Global Ltd., a leading broker of exchange-traded futures and options issues the following statement in connection with today's market activity:

MF Global understands the significant concerns across the markets. Our clients continue to show strong support, and our counterparty relationships are sound. We are seeing no impact on our repo lines. In addition, MF Global has no exposure to sub-prime mortgage-backed securities that have been the root cause of the current market environment.

While the company uses third party repo lines, we have alternative funding in the event those lines are not available to the company. The company is very well capitalized with \$1.4 billion in a committed, undrawn credit facility.

As previously-announced, as of today, volumes and net revenues for the current quarter to date remain at higher levels than in any comparable period during the current fiscal year. In addition, client funds are at a higher level today than on February 27, 2008, or at the end of the third quarter ended December 31, 2007.

22. On March 19, 2008, MF Global issued a statement reiterating that "rumors regarding its liquidity position are without merit."

23. Due to these statements, MF Global's stock increased from \$6.05 per share on March 17, 2008 to \$9.36 per share by March 19, 2008, and continued to increase to \$12.58 per share by April 7, 2008.

24. On April 8, 2008, MF Global issued a press release entitled "MF Global Expects Record Volumes and Net Revenues for Fiscal Fourth Quarter 2008 – Independent Consultants Report Preliminary Risk Review Findings," which stated in part:

MF Global Ltd, a leading broker of exchange traded futures and options, today announced preliminary volumes, revenues, adjusted pre-tax profit and customer assets for the 2008 fiscal fourth quarter ended March 31, 2008.

Total volumes for the fourth quarter are expected to range between 590 million and 600 million lots, an increase of approximately 37 to 39 percent year-over-year. Net revenues for the fiscal fourth quarter are expected to be in the range of \$440 million to \$460 million, up 17 to 21 percent from \$376.6 million in the comparable fiscal 2007 quarter.

For the fourth fiscal quarter 2008, adjusted pre-tax profit is expected in the range of \$75 million to \$85 million, as compared to \$66.9 million in the comparable fiscal 2007 quarter. The company expects a pre-tax loss on a GAAP basis for the fourth fiscal quarter to range from \$55 million to \$65 million primarily attributable to the recently reported bad debt provision.

“Despite some very challenging circumstances this quarter, we are extremely pleased that our volumes and revenues have remained strong and have exceeded levels set in the previous three quarters,” said Kevin Davis, Chief executive officer, MF Global. “There is no better demonstration of our continued ability to grow our business than delivering net revenue growth in March on par with February. This is a testament to the strength of MF Global’s highly talented people and industry-leading franchise. I remain confident we will continue to build our business well into the future.”

Global client assets are expected in the range of \$15.0 billion to \$16.0 billion as of March 31, 2008, as compared to \$15.8 billion reported in the comparable fiscal 2007 quarter and \$19.5 billion as reported on December 31, 2007. More than 80 percent of the reduction in client assets from the third fiscal quarter was driven by net declines in the value of client positions and fiscal year end withdrawals of excess monies or funds. There has been minimal attrition in maintenance margin, which are the funds used by clients to conduct normal trading activity.

There is no absolute correlation between global client assets and volumes, revenues or profit. For example, in the fiscal year 2007, global client assets grew two percent while volumes grew 49 percent, net revenues grew 46 percent and adjusted net income grew 66 percent.

Mr. Davis continued, ***“We are currently experiencing net client asset inflows which demonstrate that our customers continue to seek MF Global’s services as our independence, deep liquidity, diversification and global access provide unparalleled market advantage. The MF Global franchise is performing well.”***

MF Global’s undrawn committed liquidity facilities were \$1.53 billion at March 31, 2008 as a result of a proactive pay down of bilateral agreements. The company had disclosed committed liquidity of approximately \$1.4 billion on March 26, 2008. The company also stated that it is evaluating a wide range of financing alternatives in connection with its long-term capital structure.

MF Global expects to report fourth quarter and fiscal year-end 2008 financial results in the week of May 12. (Emphasis added.)

25. On May 20, 2008, MF Global reported its fourth quarter and fiscal year 2008 financial results, in a release which stated in part:

MF Global Ltd., the world's leading broker of exchange-listed futures and options, today reported financial results for the fiscal fourth quarter and full year ended March 31, 2008. MF Global has also taken significant steps to strengthen its capital structure and refinance its existing bridge loan.

"Over the last three months, we have delivered record results, strengthened our risk management processes and systems and successfully put in motion plans to refinance our bridge facility," said Kevin Davis, chief executive officer, MF Global. This franchise has performed through exceptionally challenging circumstances, and I firmly believe we have emerged as a stronger company than ever before."

Fiscal Fourth Quarter and Year-End 2008 Highlights:

- Total exchange-traded futures and options volumes grew 38 percent year-over-year for the fourth fiscal quarter to a record 594.4 million contracts; fiscal year 2008 volume grew 40 percent to a record 2,105.1 million contracts.
- GAAP net revenues grew ten percent from the prior year period to \$412.7 million for the fourth fiscal quarter. Adjusted net revenues increased 23 percent to a record \$464.1 million; fiscal year 2008 adjusted revenues were up 23 percent to 1,692.4 million.
- GAAP net loss for the fiscal fourth quarter was \$71.1 million; adjusted net income increased 40 percent year-over-year to \$60.9 million in the fiscal fourth quarter of 2008, or \$0.48 per adjusted diluted share; fiscal year 2008 adjusted net income grew 43 percent to \$211.8 million.
- GAAP pre-tax margin for the fiscal fourth quarter was negative 23.4 percent. Adjusted pre-tax margin for the fiscal fourth quarter was 18.6 percent.
- Total exchange-traded futures and options volume for the month of April 2008 was 178 million contracts. Net revenues for the month of April were \$136 million. Net interest income for the month was \$42 million.
- MF Global has received a \$300 million backdrop commitment from an affiliate of J.C. Flowers & Co. LLC to purchase equity-linked securities of the company. This equity commitment serves as the foundation of the plan to refinance the company's bridge facility while providing existing shareholders the opportunity to participate.

Mr. Davis added, "Whilst we had a number of equity related financing options available to the company, we felt it was essential to secure a transaction that allowed our existing shareholders to participate in our future success. *We believe this transaction will provide our stockholders certainty around our capital structure.*" (Emphasis added.)

Mr. Davis continued, "Looking ahead, the secular shifts taking place in our markets are creating higher demand for MF Global's services. We are ideally situated to benefit from this evolution as market turbulence and increasing demand for centrally cleared counterparties fits squarely with MF Global's leadership position and independent, agency-only model. We continue to drive strong performance in the current quarter as evidenced by solid volume and net revenues in April."

Fiscal Fourth Quarter and Year-End 2008 Performance

GAAP revenues, net of interest and transaction-based expenses (net revenues), were \$412.7 million in the fourth quarter, up ten percent from \$376.6 million for the same period last year. The only adjustment to net revenues was related to a one-time charge from a cash flow hedge originally entered to in anticipation of a previously forecasted debt issuance. GAAP net revenues for the year ended March 31, 2008, were \$1,641.0 million, up 19 percent from \$1,378.7 million for the same period last year. Adjusted net revenues were \$1,692.4 million for the fiscal year, up 23 percent from the same period last year.

In the fourth quarter, GAAP pre-tax loss was \$96.6 million. Adjusted pre-tax income was a record \$86.5 million, an increase of 29 percent from the prior year period. GAAP pre-tax income for fiscal year 2008 was \$16.4 million. Adjusted pre-tax income for the same period was up 38 percent to another record \$313.7 million.

GAAP net loss was \$71.1 million or \$0.59 per basic and diluted share in the fourth quarter. Fiscal fourth quarter adjusted net income was up 40 percent to \$60.9 million, or \$0.48 per adjusted diluted share.

For the year ended March 31, 2008 the company reported a loss of \$57.6 million, or \$0.50 per basic and diluted share. Adjusted net income for the year increased 43 percent to \$211.8 million, or \$1.67 per adjusted diluted share.

In the fourth quarter, net interest income increased two percent year-over-year to \$127.0 million. There are two main components which make up interest income: 1) \$35.1 million in interest generated from principal transactions and related financing transactions; 2) \$91.9 million in interest generated from our client funds and interest on excess cash. . . .

Employee compensation and benefits expense, excluding non-recurring IPO awards, was \$202.3 million for the fourth fiscal quarter. On an adjusted basis, employee compensation and benefits was \$248.7 million, or 53.6 percent of adjusted net revenues, for the fourth fiscal quarter 2008, compared to 55.9 percent in the prior year period.

Non-compensation expense was \$260.7 million for the fourth fiscal quarter compared to \$109.4 million for the prior year period. Adjusted non-compensation expense was \$111.8 million for the fourth fiscal quarter 2008, or 24.1 percent of adjusted net revenues, compared with 23.5 percent in the prior year period.

For the fiscal year 2008, the company's effective tax rate on adjusted operations was approximately 33 percent.

As of March 31, 2008, MF Global had \$15.3 billion in client funds, compared to \$15.8 billion at March 31, 2007.

* * *

In the fourth fiscal quarter, the rate per contract on cleared commissions was \$0.44, up nine percent or \$0.04 sequentially from the third fiscal quarter. The rate per contract in the company's non-professional trader customer group increased two percent from the third quarter. Rate per contract in execution only commissions was \$0.65 down approximately \$0.01 from the third quarter.

Permanent Capital Structure

MF Global has taken significant steps to strengthen its capital structure and has begun to refinance the company's \$1.4 billion bridge loan established at the time of the IPO.

Today, MF Global signed a definitive agreement with an affiliate of J.C. Flowers & Co. LLC in which J.C. Flowers has agreed to provide a backstop commitment of \$300 million toward the sale of equity-linked securities. Following the filing of the company's annual report on Form 10-K in June, MF Global may conduct a public or private offering of these securities. Under the terms of the backstop commitment, J.C. Flowers will purchase a minimum of \$150 million and a maximum of \$300 million of any offering of these securities.

"This investment represents a tremendous vote of confidence in the strength of MF Global's diversified business model and market leadership position by a sophisticated investor, with deep knowledge of the financial services industry," said Randy MacDonald, chief financial officer, MF Global. "This strongly positions MF Global for future growth and provides the opportunity to build upon the compelling value proposition we offer our shareholders, clients and employees."

"We are delighted to have the opportunity to make an investment in MF Global and we look forward to the company's future success," said J. Christopher Flowers, Managing Director at J.C. Flowers & Co.

The proceeds from the commitment and the potential offering will be used to repay a portion of the \$1.4 billion bridge loan, which the company borrowed in conjunction with its initial public offering and separation from Man Group plc in July 2007. In addition to the equity capital proceeds, the company intends to use \$350 million of excess liquidity on its existing five-year revolver and excess capital from internal sources to reduce portions of the outstanding bridge loan.

The company is also in active discussions with its current bank group to refinance a portion of the bridge loan. The backstop commitment is subject to receipt of this refinancing.

The equity linked securities will be in the form of perpetual convertible preferred shares. Each preferred share will be convertible at any time, at the option of the holder, into MF Global's common shares, at an initial conversion price of \$12.50 per share. The conversion rate and the conversion price will be subject to adjustments in certain circumstances.

Dividends on the security are cumulative at the rate of 6% per annum, payable in cash or common shares. Holders will have the right to vote with holders of the common shares on an "as-converted" basis.

The company may redeem the preferred shares after five years and may require the holders to convert the shares at any time after five years when the market price of the common shares exceeds 125% of the conversion price.

(Footnote omitted; emphasis added.)

26. Following the earnings release, on the quarterly earnings call, MF Global management represented that:

- Business was healthy and the worst was behind the Company.
- Q4 represented record results.
- The decline in customer assets was not something worrisome, as there was no correlation between customer assets and volume.
- MF Global was more liquid than at any time its history.
- MF Global has \$600 million in excess capital.
- They planned to have news on the new debt facility in the next few weeks.
- The Company remained very confident of achieving net revenue growth of 15%-20% in 2009. They remained committed and confident in objective of 20% ROE over the long term.

27. On the call, defendant Davis stated:

Before we begin, I'd like to stress to our analysts and investors one very key point. ***MF Global's business is in new and robust health.*** To validate that point, we have today taken the unique step of providing some key information about our April performance, the first full month following the trade incident and

Bear Stearns events. Staying with the fourth quarter of FY '08, we have delivered record adjusted result.

* * *

Additionally, today *we have more than 600 million in excess capital*, which provides 300 million in debt repayment and ample resources to fund future growth initiatives. This leaves between 800 and 900 million in financing needs, which Randy will speak about in more detail. MF Global has faced some of the most difficult market conditions in decades.

28. On June 17, 2008, MF Global stock closed at \$13.26 per share.

29. On June 17, 2008, after the market closed, MF Global issued a press release entitled "MF Global to Offer \$150 Million of Convertible Preference Shares and \$150 million of Convertible Senior Notes; Company Provides Expectations for Key Financial Metrics for Fiscal First Quarter 2009," which stated in part:

MF Global Ltd., a leading broker of exchange-listed futures and options, today announced that it intends to offer approximately \$150 million of non-cumulative perpetual convertible preference shares (plus up to an additional 20 percent under an option to be granted to the initial purchasers) and \$150 million of convertible senior notes (plus up to an additional 20 percent under an option to be granted to the initial purchasers), in two private offerings. The proceeds of the offerings together with other components of the company's capital plan will be used to repay its outstanding bridge loan due in December 2008.

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The offerings are expected to price this week. The convertible preference shares and convertible senior notes will not be registered under the Securities Act of 1933 and may not be offered or sold in the United States without an available exemption from registration.

The offerings follow the company's previous announcement that it received a \$300 million backdrop commitment from an affiliate of J.C. Flowers & Co. LLC to purchase a separate series of convertible preference shares. Under the terms of the backstop commitment, J.C. Flowers will purchase up to \$300 million of a separate series of convertible preference

shares as described above, but not less than a minimum amount of \$150 million.

Fiscal First Quarter 2009 Update

MF Global is also providing an update on its current fiscal first quarter 2009.

- ***Estimated net revenue is expected to range from approximately \$360 to \$390 million for the fiscal first quarter 2009.*** The company also estimates the narrowing of short term credit spreads has had a negative impact on the net interest income and overall pre-tax margins in the first quarter. For liquidity purposes, the company strategically positioned its client assets in short-term overnight securities in the fiscal fourth quarter of 2008. The company believes that rising interest rates and or a steepening of the zero to two year yield curve creates opportunities to enhance its interest income over the fiscal second, third and fourth quarters of 2009.
- Estimated total volume is expected to range from 530 to 580 million lots for the first quarter.
- Client assets at the end of May were approximately \$15.4 billion.
- The company also now expects increased non-compensation costs in the current quarter as a result of ongoing changes to its business information, risk management and monitoring systems and corresponding increases in professional fees. The company expects some of these costs to only impact its current quarter while other of these costs will be permanent in nature and will be reflected in the company's results. The company is not yet in a position to fully quantify the amount of these costs for the current quarter or for future periods.
- In addition, the company expects one-time termination costs of \$6 to \$8 million in pre-tax income in the first quarter from a strategic realignment of staff around the globe. However, the company expects cost savings from these efforts to be realized over the latter part of this fiscal year and the early part of fiscal 2010.

(Emphasis added.)

30. On June 19, 2008, *The Wall Street Journal* published an article entitled

“MF Global Tries to Temper Selloff,” which stated in part:

After seeing its shares sink Wednesday in response to its warning that fiscal first-quarter revenue will come in below expectations, MF Global Ltd. tried

to reassure investors Thursday by saying a decline in interest income the company has faced is “short term in nature.”

But it doesn’t appear to be working, with shares of the nation’s biggest futures and options broker falling another 9% to \$7.13.

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MF Global also said Thursday its volumes and related transactional business continue to fare “very well,” benefiting from “the exceptional volatility in the markets in which we operate.”

Tuesday’s announcement, which also included plans to sell another \$300 million in convertible stock and bonds to repay a bridge loan due in December, left analysts and investors yearning for more information and what it might mean going forward.

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Tuesday’s news came after a bruising several months for MF Global. Last week, the company was implicated by the Commodity Futures Trading Commission in a probe alleging one of the company’s brokers colluded with a trader at the Bank of Montreal to set natural-gas prices. The company also faced speculation earlier this year about its liquidity position and the desertion of clients.

Meanwhile, MF Global has also been trying to recover from a scandal involving a rogue trader in February that forced it to book a \$141.5 million pretax loss in its fiscal fourth quarter.

31. On the morning of June 20, 2008, MF Global priced the \$300 million offering. The pricing was such that the senior notes would carry an annual interest rate of 9%, while the preference shares would carry an annual dividend of 9.75%.

32. On this news, MF Global's stock dropped to close at \$6.86 per share on June 20, 2008, the end of the Class Period, on volume of 27 million shares, a decline of 55% from the Class Period high of \$14.98 per share in May 2008.

33. The true facts, which were known by the defendants but concealed from the investing public during the Class Period were as follows:

(a) MF Global's business was materially weaker than represented and the Company would not be able to achieve the 15%-20% revenue growth projected for fiscal 2009; and

(b) MF Global's capital would not be sufficient absent additional infusions which would dilute the ownership of current shareholders.

34. As a result of defendants' false and misleading statements and omissions, MF Global's stock price traded at inflated levels during the Class Period. After the above revelations seeped into the market, the Company's shares were hammered by massive sales, sending them down more than 55% from their price before these disclosures.

LOSS CAUSATION/ECONOMIC LOSS

35. By misrepresenting MF Global's financial statements, the defendants presented a misleading picture of the Company's capital and business prospects. Thus, instead of truthfully disclosing during the Class Period that MF Global's business was not as healthy as represented, MF Global falsely concealed the extent of its problems.

36. These claims of profitability caused and maintained the artificial inflation in MF Global's stock price throughout the Class Period and until the truth about its capital needs and earnings was revealed to the market.

37. Defendants' false and misleading statements had the intended effect and caused MF Global stock to trade at artificially inflated levels throughout the Class Period, reaching as high as \$14.98 per share.

38. As a direct result of defendants' admissions and the public revelations regarding the truth about MF Global's profitability, capital position and its actual business prospects going forward, MF Global stock price plummeted 55%, falling from \$14.98 per share in May 2008 to \$6.86 per share on June 20, 2008, a decline of \$8.12 per share.

COUNT I

For Violation of §10(b) of the 1934 Act and Rule 10b-5 Against All Defendants

39. Plaintiff incorporates ¶¶1-38 by reference.

40. During the Class Period, defendants disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

41. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

- (a) employed devices, schemes and artifices to defraud;
- (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of MF Global common stock during the Class Period.

42. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for MF Global common stock. Plaintiff and the Class would not have purchased MF Global stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by defendants' misleading statements.

COUNT II

For Violation of §20(a) of the 1934 Act Against All Defendants

43. Plaintiff incorporates ¶¶1-42 by reference.

44. The Individual Defendants acted as controlling persons of MF Global within the meaning of §20(a) of the 1934 Act. By reason of their positions with the Company, and their ownership of MF Global stock, the Individual Defendants had the power and authority to cause MF Global to engage in the wrongful conduct complained of herein. MF Global controlled the Individual Defendants and all of its employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

CLASS ACTION ALLEGATIONS

45. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased or otherwise acquired MF Global common stock during the Class Period (the "Class"). Excluded from the Class are defendants.

46. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. MF Global has over 120 million shares of common stock outstanding, owned by hundreds if not thousands of persons.

47. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

- (a) whether the 1934 Act was violated by defendants;
- (b) whether defendants omitted and/or misrepresented material facts;
- (c) whether defendants' statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
- (d) whether defendants knew or deliberately disregarded that their statements were false and misleading;
- (e) whether the price of MF Global common stock was artificially inflated; and
- (f) the extent of damage sustained by Class members and the appropriate measure of damages.

48. Plaintiff's claims are typical of those of the Class because plaintiff and the Class sustained damages from defendants' wrongful conduct.

49. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

50. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for judgment as follows:

- A. Declaring this action to be a proper class action pursuant to Fed. R. Civ. P. 23;
- B. Awarding plaintiff and the members of the Class damages, including interest;
- C. Awarding plaintiff's reasonable costs and attorneys' fees; and
- D. Awarding such equitable/injunctive or other relief as the Court may deem just and proper.

JURY DEMAND

Plaintiff demands a trial by jury.

DATED: August _____, 2008

STULL, STULL & BRODY

By: 

Jules Brody (JB-9151)
Aaron Brody (AB-5850)
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6 East 45th Street
New York, New York 10017
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Counsel for Plaintiff

PLAINTIFF CERTIFICATION

_____ ("Plaintiff") hereby states that:

1. Plaintiff has reviewed the complaint and has authorized the filing of the complaint on his/her behalf.
2. Plaintiff did not purchase any securities of **MF Global, Ltd.** at the direction of his/her counsel or in order to participate in this private action.
3. Plaintiff is willing to serve as a representative party on behalf of a class, including providing testimony at deposition and trial, if necessary. I understand that the litigation is not settled, this is not a claim form, and sharing in any recovery is not dependent upon execution of this Plaintiff Certification. I am willing to serve as a lead plaintiff either individually or as part of a group. A lead plaintiff is a representative party who acts on behalf of other class members in directing the action.
4. The following includes all of Plaintiff's transactions in **MF Global, Ltd.** common stock/securities during the class period specified in the complaint:

<u>SECURITY</u> (Common Stock, Call, Put, Bonds)	<u>TRANSACTION</u> (Purchase, Sale)	<u>TRADE DATE</u>	<u>PRICE PER</u> <u>SECURITIES/SHARE</u>	<u>QUANTITY</u>
MF	Purch.	3/19/08	10.03	2,000
MF	Sale	3/19/08	9.49	2,000

Please list other transactions on a separate sheet of paper, if necessary.

5. Plaintiff has not served or sought to serve as a representative party on behalf of a class under the federal securities laws during the last three years, unless otherwise stated in the space below:

6. Plaintiff will not accept any payment for serving as a representative party on behalf of a class except to receive his pro rata share of any recovery, or as ordered or approved by the court including the award to a representative party of reasonable costs and expenses including lost wages relating to the representation of the class.

Plaintiff declares under penalty of perjury that the foregoing is true and correct.

Executed this 17th day of August, 2008.

Carolyn C. Spout
Signature